

# Initiating Coverage NHPC Ltd

January 19, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Power Generation	Rs. 42.05	Buy in the Rs. 41.75 – 42.75 band and add on dips to Rs. 38	Rs. 46.35	Rs. 50.15	2 - 3 quarters

HDFC Scrip Code	NHPLTDEQNR
BSE Code	533098
NSE Code	NHPC
Bloomberg	NHPC:IN
CMP Jan 18, 2023	42.05
Equity Capital (Rs Cr)	10045.0
Face Value (Rs)	10.0
Equity Share O/S (Cr)	1004.5
Market Cap (Rs Cr)	42239.4
Book Value (Rs)	36.8
Avg. 52 Wk Volumes	13162382.8
52 Week High	46.90
52 Week Low	27.05

Share holding Pattern % (Sep, 2022)	
Promoters	70.95
Institutions	21.22
Non Institutions	7.83
Total	100.00



HDFCsec Retail research  
stock rating meter

for details about the ratings, refer at the end of the report

\* Refer at the end for explanation on Risk Ratings

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### Our Take:

NHPC is the largest hydropower company in the country and a Mini-Ratna Category-I PSU. It is involved across the entire chain of hydro power project development – from concept to commissioning. It has an established track record, in-house engineering capabilities and has exhibited strong operational performance over the years. As of FY22, it has a presence across 13 states contributing to 15% of the total installed hydro-electric capacity in India on a consolidated basis having 24 operational projects with an installed capacity of 7071 MW (6971 MW Hydro and 100 MW Renewable energy). During FY22, NHPC power stations recorded highest power annual Plant Availability Factor (PAF) of 88.19% and second highest ever annual generation of 24,855 Million Units (MUs). Favorable hydrology of rivers on which most of its projects are located, has helped the company maintain a healthy track record of power generation.

In view of the Government's initiative to achieve 500 GW of installed electricity capacity from non-fossil sources by 2030, hydropower assumes greater importance to provide stability to the electric grid due to the intermittent availability of solar and wind to produce power. Hydro power can be ramped up and down quickly which will be useful to address the challenge of peaking shortages and frequency variations. There is a lot of untapped hydro potential in the country with only 46 GW commissioned out of an estimated potential of 145 GW.

The group has hydro projects with capacity of 6434 MW under construction. With the expected commissioning of 2000 MW Subansiri Lower (8x250 MW) and 800 MW Parbati II (4x200 MW) hydro projects by end of FY24E, capacity is set to increase by 40%. Impact of the increased capacity will be visible in FY25. Signing of various PPAs/MoUs for hydro power stations and renewables, and the regulated business model for hydro projects provide strong earnings growth visibility. On the renewables front, 1105 MW capacity is under construction with more projects under tendering and in the pipeline. Various government measures to promote hydro as well as renewable energy also bode well for the company.

### Valuation & Recommendation:

The company is available at an attractive dividend yield of 4.3%. Regulated equity is expected to increase by 70% by FY24. Expected commissioning of the hydro and solar projects will provide a boost to the earnings, full impact of which will be visible in FY25.

**We think the base case fair value of the stock is Rs. 46.35 (12.5x FY24E EPS and 1.26x FY24E BV) and the bull case fair value is Rs. 50.15 (13.5x FY24E EPS and 1.36x FY24E BV) over the next two-three quarters. Investors can buy the stock in the band of Rs. 41.75 – 42.75 (11.3x FY24E EPS and 1.14x FY24E BV) and add more on dips to Rs 38 (10.25x FY24E EPS and 1.03x FY24E BV).**



### Financial Summary (Standalone)

Particulars (Rs cr)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY20	FY21	FY22	FY23E	FY24E
Revenue	2888	2745	5.2	2594	11.3	8735	8507	8354	10343	10857
EBITDA	1827	1796	1.7	1407	29.8	4569	4605	4679	6450	6747
APAT	1433	1305	9.8	1050	36.6	3007	3385	3538	3555	3728
Diluted EPS (Rs)	1.4	1.3	9.8	1.0	36.6	3.0	3.4	3.5	3.5	3.7
RoE-%						9.7	10.0	10.6	10.3	10.3
P/E (x)						14.0	12.5	11.9	11.9	11.3
P/BV (x)						1.3	1.3	1.3	1.2	1.1

(Source: Company, HDFC sec)

### Q2FY23 Result Update

NHPC reported revenue of Rs. 2,888 Cr (+5.2% YoY) led by 1.3% YoY increase in generation to 9980 MUs vs 9912 MUs in Q2FY22 and tariff approvals. EBITDA grew marginally, up 1.7% YoY to Rs. 1,827 Cr with incentives income at Rs. 181 Cr compared to Rs. 187 Cr YoY and deviation charges at Rs. 47 Cr vs Rs. 47 Cr YoY. Rate regulatory income was Rs. 160 Cr vs 36 Cr YoY due to MAT Credit. Accordingly, PAT for the quarter came in at Rs. 1,433 Cr (+9.8% YoY). The company operated at a PAF of 99.87% in Q2FY23 vs 99% YoY. Capex for FY23 is budgeted at Rs. 8061 Cr, of which the company has incurred Rs. 2646 Cr in H1FY23.

### Operational updates:

NHPC expects 2 units of Subansiri Lower to be commissioned in June 2023, as the extended monsoon and landslide hampered construction work. The balance units will be constructed by FY24. Parbati II tunneling work was also impacted during the monsoon and is now expected to be completed by Q2FY24, with commissioning taking place by FY24 end.

MOU was inked with the investment board of Nepal at Kathmandu on August 18, 2022 for development of 750 MW West Seti and 450 MW SR-6 HEP. MOU was signed with PTC India for power sales agreement of the two Nepal projects. NHPC Renewable Energy Limited signed MOU with Govt. of Rajasthan on August 24, 2022 for development of 10000 MW Ultra mega renewable energy power park in Rajasthan. Part commissioning of 153.6 MW and 112 MW out of 320 MW ISTS connected Solar PV Power Project awarded by NHPC Limited “as Intermediary Procurer” to M/s Avaada Energy Pvt. Ltd was achieved in September 2022.

E&M activities at the 1000 MW Pakal Dul HEP and 120 MW Rangit-IV HEP and Overt Lining of HRT at 120 MW Rangit-IV had commenced. Erection of Power house EOT crane of Rangit IV HE was completed on September 07, 2022. Erection of EOT crane in MIV cavern of Pakal Dul



HEP completed on September 26, 2022. Day lighting of Diversion Tunnel-I was achieved at the 850 MW Ratle HEP and work on Diversion Tunnel at 540 MW Kwar had also commenced. Government has accorded investment approval of Rs. 973 Cr for pre-construction activities at Sawalkot HEP. Power Purchase Agreement (PPA) has been signed between the company's JV Bundelkhand Saur Urja Limited (BSUL) and Uttar Pradesh Power Corporation Limited (UPPCL) for Kalpi Solar Power Project on 28.04.2022 at a fixed tariff of Rs. 2.68/unit. Bulk Power Supply Agreement (BPSA) has been signed between Lanco Teesta Hydro Power Limited (LTHPL) and Chhattisgarh State Power Distribution Company Limited for power generated from 500 MW Teesta-VI HEP for a period of 40 years from COD.

### Key Triggers

#### **Upcoming hydro capacities provide long term earnings growth visibility:**

NHPC is presently engaged in the construction of 8 hydro projects aggregating to a total installed capacity of 6434 MW. Brief details of the projects under construction:

Project	State	Capacity (MW)	Design energy (MU)	Anticipated Cost (Cr.)	Project Exp. till Sep'22 (Cr.)	Expected Commissioning
<b>Standalone</b>						
Subansiri Lower (8x250)	Assam/Arunachal Pradesh	2000	7422	19992.43	16395.14	FY 23-24 (Q4)
Parbati II (4x200)	Himachal Pradesh	800	3125	11134.54	10025.47	FY 23-24 (Q4)
<b>JV</b>						
Pakal Dul (4x250)	UT of J&K	1000	3230	8112.12	2516.94	FY 25-26 (Q2)
Kiru (4x156)	UT of J&K	624	2272	4287.59	814.90	FY 25-26 (Q2)
Kwar (4x135)	UT of J&K	540	1976	4526.12	224.99	FY 26-27 (Q3)
<b>Subsidiary</b>						
Rangit-IV (3x40)	Sikkim	120	508	938.29	334.24	FY 24-25 (Q2)
Teesta-VI (4x125)	Sikkim	500	2400	5748.04	1819.31	FY 25-26 (Q2)
Ratle (4x205 + 30)	UT of J&K	850	3137	5281.94	109.97	FY 25-26 (Q4)

(Source: Company, HDFC sec)

Work is progressing well despite challenges. The company expects two units of Subansiri to get commissioned in FY23 and the balance in FY24. Parbati II tunneling work is expected to be completed by Q2FY24 and full commissioning would take place by the end of FY24. These two projects will increase the regulated equity by 70% to Rs. 22,100 Cr in FY25E vs Rs. 13,060 in FY22. With the commissioning of Subansiri lower and Parbati II plants, PAT is expected to increase by 46% to Rs. 5,173 Cr in FY25E vs Rs. 3,537 Cr in FY22.



Further, 7 Hydro Projects with aggregate capacity of 6992 MW are under clearance stage which includes 5 standalone projects and 2 projects in JV mode. 2 projects with aggregate capacity of 890 MW are under Survey and Investigation.

**Renewables offer growth opportunities:**

The company is diversifying and developing solar capacity by contributing to the Government’s vision of 500 GW installed capacity from non-fossil fuels. It has 1105 MW capacity under construction stage, 900 MW under tendering and 1400 MW in pipeline.

The following table shows the under construction projects along with the expected commissioning schedules:

Name	Capacity (MW)	Estimated Cost (Cr.)	Expected Commissioning	Tariff (Rs./unit)	Status of PPA
<b>Standalone - Ownership Based</b>					
40 MW Solar Power Project, Ganjam	40	178.00	2022-23	2.75	PPA signed with GRIDCO
1000 MW Grid connected solar power project under CPSU Scheme	600	4295.63	2023-24	2.45	Draft PPA under finalisation for 925 MW. Consent for balance of 75 MW under exploration
	300	1731.57	2023-24	2.45	
	100	577.20	2023-24	2.45	
<b>Standalone – As Intermediary Procurer</b>					
2000 MW Projects through Solar Power Developers, Rajasthan	2000	-	2024-25*	2.55 (1680 MW) 2.56 (320 MW)	PPA and PSA signed. Tariff adopted by CERC
<b>JV</b>					
65 MW Solar Power Project, Kalpi	65	312.00	2022-23 <sup>#</sup>	2.68	PPA executed between BSUL and UPPCL on 28.04.22

(Source: Company, HDFC sec)

\*265.6 MW commissioning achieved in September, 2022 and 54.4 MW commissioning expected in November, 2022. Balance 1680 MW expected to be commissioned by 2024-25

<sup>#</sup>Partial Commissioning achieved on 09.07.2022

The company is also exploring possibilities for development of Ultra Mega Renewable Energy Power Parks Scheme (UMREPPS) in various states such as Odisha, Kerala, Rajasthan, Uttar Pradesh, etc. NHPC Renewable Energy Limited (subsidiary) has signed MOU with Govt. of Rajasthan on August 24, 2022 for development of 10000 MW Ultra mega renewable energy power park in Rajasthan. NHPC has also received in-principle approvals for developing 300 MW floating solar power projects in Odisha and 50 MW floating solar power project in Kerala. EPC bids have been invited for 75 MW grid connected solar power project for sale of energy through Power Exchange. Its subsidiary company





NHDC has been selected for setting up 88 MW floating solar power project in Omkareshwar Reservoir in May 2022. These RE initiatives along with the 'green tag' of the company add further upside potential.

**Tariff regulations for 2019-24 with unchanged regulated ROE to ensure stable returns:**

Regulated ROEs play a very important role in profitability of power generating companies. The tariff for NHPC's hydropower projects are determined as per Central Electricity Regulatory Commission's (CERC) regulations on a cost-plus basis. Tariff determination on cost-plus basis ensures recovery of depreciation, interest on long-term loan and working capital loan, return on equity and operation and maintenance (O&M) expenses. Recovery of fixed costs is subject to normative plant availability for each plant, as notified by CERC. The current tariff norms are notified for FY2019-2024 in line with the norms for FY2014-FY2019 with ROE at 15.5% for Run of the river projects and 16.5% for storage type projects. The blended ROE comes to about 16% for the company.

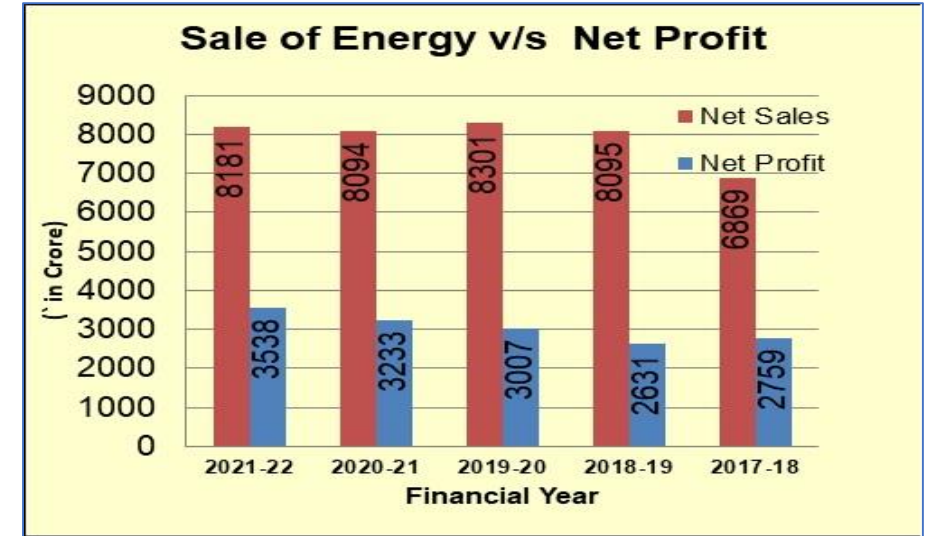
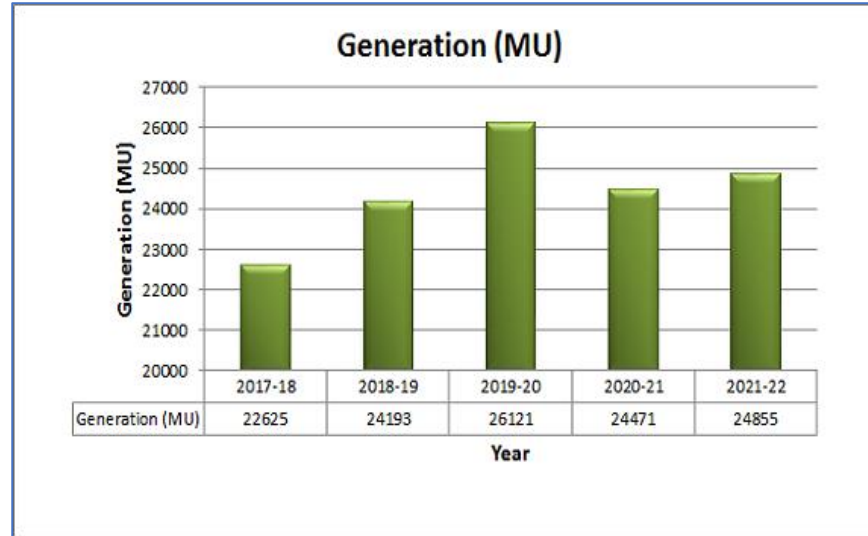
**Policy measures by the government to promote hydro power sector augurs well for the company:**

Government of India has approved a number of measures for promoting hydro power sector including, declaring large hydro power (LHPs) (>25 MW projects) as renewable energy source, mandating Hydro Purchase Obligation (HPO) as a separate entity within Non-solar Renewable Purchase Obligation (RPO) from new projects, providing flexibility to developers to back load tariff by increasing project life to 40 years, increasing debt repayment period to 18 years, tariff rationalization measures for bringing down hydro power tariff, budgetary support for Flood Moderation/Storage Hydro Electric Projects (HEPs) and towards cost of enabling infrastructure, i.e. roads/bridges. As a result of these measures, the capital cost as well as the project tariff would be reduced especially in initial years which would improve project viability & saleability, and thus, promote the hydroelectric projects.

**Decent financials with strong liquidity and favorable debt metrics raise credit worthiness of the company:**

The company had cash and liquid investments worth Rs. 3,186 Cr and unutilized cash credit limits of Rs. 925 Cr as on March 31, 2022 on a consolidated basis. Its net debt to equity ratio is at a comfortable 1x, enabling it to raise debt for future capex. The company has also raised money under the National Monetisation Pipeline issued by Niti Aayog. During FY21-22, the company had entered into an agreement of securitization of ROE of Chamera-I power station for Rs. 1,016 Cr repayable in 10 years. Moreover, it has obtained board approval in FY23 for securitization of future cash flows of Uri-I power station for 10/15 years in a single tranche.

The company has also posted strong operational performance. As a result, it earned incentives of Rs. 742.55 Cr for the year, in addition to the regulated ROEs. NHPC achieved its highest ever PAF for the year at 88.19% vs 84.87% last year. The company earns incentives for (i) generating more than the design energy (secondary energy incentives), (ii) achieving plant availability factor higher than the normative annual PAF and (iii) deviation charges based incentives related to maintaining grid stability.



(Source: Company, HDFC sec)

#### Other initiatives by the company:

##### Power Trading Business

NHPC has ventured into power trading business after obtaining category-I license from CERC for interstate trading of electricity pan-India. The company is registered at DEEP (Discovery of Efficient Electricity Price) e-bidding portal and has obtained trading membership in IEX and PXIL. 133.36 MUs were traded in FY 21-22 with turnover of Rs. 44.84 Cr.

NHPC has also given Letter of Awards (LOA) to Solar Power Developers for interstate transmission system (ISTS) grid connected photovoltaic projects aggregating to 2000 MW installed capacity. 265.6 MW capacity was commissioned in September 2022. 54.4 MW capacity to be commissioned by November 2022. PSA's with Discoms and PPA's with selected developers have been signed for 25 years. NHPC shall earn trading Margin @ Rs 0.07/kWh during the period. The power trading business can be developed as a separate business in the future.

##### Foray into Green Hydrogen

Green hydrogen is at a nascent stage and has potential as a future source of energy. As an R&D initiative, the company has initially planned 3 green hydrogen based pilot projects and signed MOU's in Leh and Kargil districts for green hydrogen based fuel cell microgrid and mobility station.



## Risks and Concerns

- **Delay in execution of projects** – Delays due to geological challenges despite extensive survey and investigation, local opposition, logistics constraints, delay in government approvals, etc has affected the company in the past and may cause significant time and cost overruns if encountered in the future too. The company has provided an amount of Rs. 160.70 Cr in Q1FY23 related to the expenditure incurred on Loktak downstream hydroelectric corporation limited (a subsidiary company) considering the delay in investment sanction by PIB and CCEA and the projected high tariff.
- **Counterparty credit risk** – The weak financial health of a majority of the state discoms affects the timely realization of revenue and remains a worry for the power generation companies. The trade receivables of the company as on June 30, 2022 including unbilled debtors were Rs. 5,854 Cr. Overdue Debtors (more than 45 days) amounted to Rs. 1,477 Cr. The government has however notified the LPS rules in June 2022 to strengthen the regulatory provisions for recovery of outstanding dues of generating companies from Discoms.
- **High relative tariff** – Hydro power plants require large initial investment and have a long gestation period. As a result cost per MW for newer hydropower plants is higher which makes the tariff unattractive compared to thermal plants and prevailing lower tariffs for solar and wind energy. Average selling price for the company was Rs. 3.66/unit in FY22 while levelised tariff for newer power plants are in the range of Rs. 4-5/unit. Higher tariffs could also pose a difficulty in signing PPAs. It may however be noted that hydro power is required for grid stability and is of strategic importance to the government and hence it can command a premium compared to other sources.

## Other Risks include:

- Adverse regulatory changes pertaining to regulated ROEs
- State hydro policies favoring payment of upfront premium/requiring more free power than statutory requirements
- Long term climatic changes
- Materializing of contingent liabilities amounting to Rs. 11,120 Cr





### Company Profile:

NHPC Ltd is a Mini-Ratna Category-I Enterprise of the Government of India and is the largest organisation in the field of hydro power development in the country. The company is dedicated to the planning development and implementation of an integrated and efficient network of hydroelectric projects in India. It executes all aspects of the development of hydroelectric projects from concept to commissioning of the projects. NHPC Ltd was incorporated on November 7, 1975 as a private limited company under the name National Hydro Electric Power Corporation Pvt Ltd. In April 2 1986 the company was converted into a public limited company.

Its power stations include Bairasiul, Salal, Chamera-I & II, Tanakpur, Dhauliganga, Rangit and Loktak, Sewa II, Uri, Teesta V, Chutak, TLDP III & IV, Parbati III, and Kishanganga. It provides consultancy services in various fields of hydropower, including river basin studies, survey works, design and engineering, geological studies, geotechnical studies, hydraulic transient studies, hydrological studies, contract management, construction management, equipment planning, underground construction, testing, commissioning, and operation and maintenance.

NHPC Limited presently has an installed base of 7071.2 MW from 24 power stations on ownership basis including projects taken up in Joint Venture.

### Peer Comparison

	Mcap (Rs. Cr)	Sales			EBITDA Margin (%)			PAT			RoE (%)			RoCE (%)			P/E			P/B		
		FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
NHPC	42239	8354	10343	10857	56.0	62.4	62.2	3538	3555	3728	10.6	10.3	10.3	10.0	12.4	11.9	11.9	11.9	11.3	1.3	1.2	1.1
SJVN	13420	2417	3152	4041	71.4	71.0	70.0	990	1362	1527	7.5	9.9	10.5	8.8	9.4	9.0	13.6	9.7	8.7	1.0	1.0	0.9

(Source: Company, HDFC sec)



(Source: Company, HDFC sec)



## Financials (Standalone)

### Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>8735</b>	<b>8507</b>	<b>8354</b>	<b>10343</b>	<b>10857</b>
<b>Growth (%)</b>	<b>7.0</b>	<b>-2.6</b>	<b>-1.8</b>	<b>23.8</b>	<b>5.0</b>
Operating Expenses	4166	3902	3675	3892	4109
<b>EBITDA</b>	<b>4569</b>	<b>4605</b>	<b>4679</b>	<b>6450</b>	<b>6747</b>
<b>Growth (%)</b>	<b>2.0</b>	<b>0.8</b>	<b>1.6</b>	<b>37.9</b>	<b>4.6</b>
<b>EBITDA Margin (%)</b>	<b>52.3</b>	<b>54.1</b>	<b>56.0</b>	<b>62.4</b>	<b>62.2</b>
Depreciation	1545	1235	1126	1083	1143
Other Income	1036	1151	1026	744	759
<b>EBIT</b>	<b>4060</b>	<b>4521</b>	<b>4579</b>	<b>6112</b>	<b>6363</b>
Interest expenses	452	423	1802	1796	1838
<b>PBT</b>	<b>3608</b>	<b>4099</b>	<b>2776</b>	<b>4315</b>	<b>4525</b>
Tax	601	714	-761	760	797
<b>PAT</b>	<b>3007</b>	<b>3385</b>	<b>3538</b>	<b>3555</b>	<b>3728</b>
<b>Growth (%)</b>	<b>14.3</b>	<b>12.6</b>	<b>4.5</b>	<b>0.5</b>	<b>4.9</b>

### Balance Sheet

As at March	FY20	FY21	FY22	FY23E	FY24E
<b>SOURCE OF FUNDS</b>					
Share Capital	10045	10045	10045	10045	10045
Reserves	29349	31026	28881	30607	32417
<b>Shareholders' Funds</b>	<b>39394</b>	<b>41071</b>	<b>38926</b>	<b>40652</b>	<b>42462</b>
Minority Interest	0	0	0	0	0
Total Debt	21606	21969	23167	25677	28009
Net Deferred Taxes	4229	3852	2101	2003	1900
Other Non-current Liabilities	0	0	0	0	0
<b>Total Sources of Funds</b>	<b>65229</b>	<b>66893</b>	<b>64194</b>	<b>68332</b>	<b>72371</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	21636	19335	19025	17942	21797
CWIP	17180	19068	20574	26574	27075
Investments	1398	1842	5414	4914	4414
Other non-fin and non-curr Assets	20847	22390	17005	17005	17005
<b>Total Non-Current Assets</b>	<b>61060</b>	<b>62636</b>	<b>62018</b>	<b>66435</b>	<b>70292</b>
Inventories	127	134	130	142	149
Debtors	3816	3410	4621	4534	4313
Cash & Equivalents	1693	2257	1161	924	1188
Other Current Assets	4174	3963	2369	2976	3034
<b>Total Current Assets</b>	<b>9810</b>	<b>9764</b>	<b>8282</b>	<b>8576</b>	<b>8684</b>
Creditors	4143	3869	4922	5213	5066
Other Current Liab & Provisions	1499	1638	1184	1466	1539
<b>Total Current Liabilities</b>	<b>5641</b>	<b>5507</b>	<b>6106</b>	<b>6678</b>	<b>6605</b>
Net Current Assets	4169	4257	2176	1897	2080
<b>Total Application of Funds</b>	<b>65229</b>	<b>66893</b>	<b>64194</b>	<b>68332</b>	<b>72371</b>

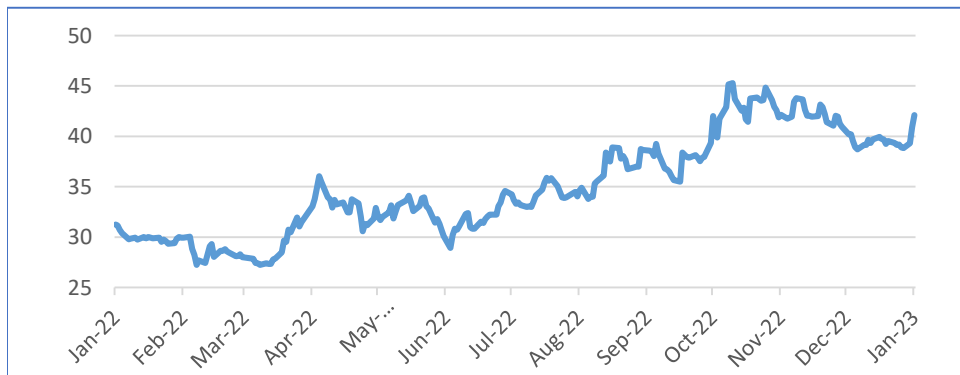
(Source: Company, HDFC sec)



## Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	3608	4099	2776	4315	4525
Non-operating & EO items	-1036	-1151	-1026	-744	-759
Interest Expenses	452	423	1802	1796	1838
Depreciation	1545	1235	1126	1083	1143
Working Capital Change	-2713	99	-767	-54	-22
Tax Paid	-602	-714	-726	-863	-905
<b>OPERATING CASH FLOW ( a )</b>	<b>1254</b>	<b>3989</b>	<b>3186</b>	<b>5533</b>	<b>5822</b>
Capex	-4155	-3568	-2321	-6000	-5500
Free Cash Flow	-2901	421	864	-467	322
Investments	-115	-445	-3572	500	500
Non-operating income	1036	1151	1026	744	759
<b>INVESTING CASH FLOW ( b )</b>	<b>-3234</b>	<b>-2862</b>	<b>-4867</b>	<b>-4756</b>	<b>-4241</b>
Debt Issuance / (Repaid)	4145	363	1197	2511	2332
Interest Expenses	-452	-423	-1802	-1796	-1838
FCFE	1714	1068	-2286	1491	2075
Share Capital Issuance	0	0	0	0	0
Dividend	-1469	-1885	-1818	-1825	-1914
Others	-797	1380	2874	98	103
<b>FINANCING CASH FLOW ( c )</b>	<b>1428</b>	<b>-564</b>	<b>451</b>	<b>-1013</b>	<b>-1317</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>-552</b>	<b>564</b>	<b>-1230</b>	<b>-236</b>	<b>264</b>

## One Year Price Chart:



## Key Ratios

Particulars	FY20	FY21	FY22	FY23E	FY24E
<b>Profitability Ratios (%)</b>					
EBITDA Margin	52.3	54.1	56.0	62.4	62.2
EBIT Margin	34.6	39.6	42.5	51.9	51.6
APAT Margin	34.4	39.8	42.3	34.3	34.3
RoE	9.7	10.0	10.6	10.3	10.3
RoCE	9.2	10.2	10.0	12.4	11.9
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	4.4	4.3	4.7	3.8	4.0
Net D/E	1.1	1.1	1.0	1.0	1.1
<b>PER SHARE DATA (Rs)</b>					
EPS	3.0	3.4	3.5	3.5	3.7
CEPS	4.5	4.6	4.6	4.6	4.8
BV	31.2	32.9	33.3	35.1	36.9
DPS	1.3	1.6	1.8	1.8	1.9
<b>Turnover Ratios (days)</b>					
Debtor days	159	146	202	160	145
Inventory days	5	6	6	5	5
Creditors days	363	362	489	489	450
<b>VALUATION</b>					
P/E	14.0	12.5	11.9	11.9	11.3
P/BV	1.3	1.3	1.3	1.2	1.1
EV/EBITDA	11.7	11.6	13.7	9.0	9.0
EV/MW	11.3	11.3	10.9	9.9	9.6
Dividend Yield (%)	3.0	3.8	4.3	4.3	4.5

(Source: Company, HDFC sec)



## HDFC Sec Retail Research Rating description

### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

### Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclical nature of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

### Disclosure:

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